

POOR LEGIBILITY

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STAUFFER CHEMICAL COMPANY

SAN FRANCISCO OFFICE

To: Mr. J. F. Orr
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 Mr. B. L. Rothberg
 Mr. A. D. Hall
 Mr. B. N. Stillman
 Mr. J. F. Luther

Date: August 13, 1964
 From: L. P. Cummings
 Subject: Report on Stauffer and
 Baldwin-Montrose Charges
to Montrose of California
Effective: 8/1/64

For a number of years, it has been the practice to issue an annual current report covering the inter-company charges by Stauffer Chemical Company and Baldwin-Montrose Chemical Company to the joint venture, Montrose Chemical Corporation of California. This plan has proved very useful in covering the relationships between the Stauffer and Baldwin-Montrose locations and the various plants and offices.

The new charges, which are included in the attached report, have recently been reviewed and agreed upon by the parties concerned and have been made effective August 1, 1964.

Please inform the employees under your jurisdiction of the new charges and the starting date.

LPC/ej

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INDEX

	<u>Title</u>	<u>Page No.</u>
Section I	Summary and Recommendations	1-2
Section II	Scope of Report	3
Section III	Henderson Plant	4-8
Section IV	Torrance Plant	9
Section V	Newark Office	10
Section VI	Los Angeles Office	11
Section VII	San Francisco Office	12-14
Schedule 1	Allocation Plan - Henderson	15-19
	Exhibit A Major Equipment Rental - Henderson	20
	Exhibit B Personal Tool Expense - Henderson	21-22
	Exhibit C General Shop Charges - Henderson	23
	Exhibit D Burden Calculations - Henderson	24
Schedule 2	Allocation Plan - Los Angeles	25
Schedule 3	IBM Payroll Processing - San Francisco	26

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SECTION I

Summary and Recommendations

At the Henderson, Nevada location, Montrose leases several parcels of land on which it has facilities for producing chloral, mono-chlorobenzene, hydrochloric acid, and ethyl chloride. Intercompany charges develop through Montrose's part-time use of administrative, clerical, and maintenance help as well as use of common facilities, equipment, etc.

The Stauffer plant at Torrance, California is no longer in operation. This fact possibly will raise a question as to the handling of some indirect charges should they occur, but as stated on page 9 any question that may arise will be worked out between the managements.

Several employees at the Newark, New Jersey office continue to devote part of their time to Montrose-California, and therefore this proration of salaries and expenses has been revised.

In the Los Angeles, California office, Montrose has several full-time employees as well as joint use of office services in connection with sales, payroll, mail, etc. A charge for the services as well as the office rent has therefore been negotiated.

The San Francisco, California office prepares the charges for that portion of activity of the Employee Relations, Traffic, Payroll and the IBM installation, which is directed to Montrose.

As a result of this joint survey, the following recommendations are made:

1. The San Francisco office, prepare the Henderson direct charges as shown on pages 4 through 8 of this report. For the indirect or prorated charges, change the monthly billing from the present figure of \$2,152 to \$2,172.
2. The San Francisco office, charge Henderson general shop expense at the rate of \$0.21 per craftsman hour.
3. The San Francisco office, charge Henderson cost of repairs to joint facilities of water supply and sewage disposal on the basis of ratio of use of the particular facility as agreed by the Stauffer Works Manager, and the Montrose Superintendent rather than directly based on the ratio of water used.
4. The San Francisco office, include insurance and retirement plan costs on 13½ overhead rate for Montrose hourly employees.
5. At Torrance, direct charges are clearly defined and the small prorated charges will be handled by the two managements as they occur.

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6. Change the total of indirect charges from the previous amount of \$2,059 at the Newark office to the new amount of \$2,248.
7. The Los Angeles office, revise the monthly charges from the previous amount of \$1,532 to the new figure of \$1,305.
8. The San Francisco office, revise the monthly indirect charge from the previous figure of \$891 to a new figure of \$902.
9. Make the new charges from Stauffer effective August 1, 1964 with interim reviews of selected items during the year and another full study a year from now.

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SECTION II

Scope of Report

This report, as previously emphasized, generally covers only the various negotiated charges not incorporated in legal documents or other formal agreements.

These documents cover the original agreements with respect to the formation of the Company, general operating policies, sales agreements for products passing among the three companies, and lease agreements for land and facilities at Henderson and Torrance. These formal contracts are revised or supplementary documents processed as needed to cover changing requirements.

Excluded from the scope of this report are several administrative matters such as certain salaries and management fees which are the responsibility of top management.

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SECTION III

Henderson Plant

The collection of Stauffer and Montrose at Henderson, like the other plants, falls into two categories, one group concerns direct charges and the other group, indirect or prorated charges.

A. DIRECT CHARGES

1. Hydriote

Based on cost of natural gas, if and when used.

2. Miscellaneous Advances

Directly purchased for Montrose and charged at month end from vendors invoices.

3. Payroll

a. Hourly Payroll

There are 27 operators, 6 laboratory technicians, and 27 maintenance men paid by Stauffer who regularly and completely work at the Montrose plant. In addition, Stauffer hourly employees devote part of their time to Montrose operations. This hourly payroll applicable to Montrose operations is accumulated by San Francisco accounting and billed to Montrose monthly.

b. Hourly Payroll - Payroll Taxes and Benefits

The total hourly payroll (gross earnings) applicable to Montrose hourly employees will be multiplied by 13% to cover employee payroll taxes and benefits, i.e., payroll taxes, insurance, and retirement plans. (See Exhibit D, page 24, part C.) The total hourly payroll (gross earnings) applicable to Stauffer hourly employees working for Montrose will be multiplied by 21% to cover employee payroll taxes and benefits, i.e., payments for unworked time, payroll taxes, insurance and retirement plans. (See Exhibit D, page 24, part D.)

c. Salary Payroll

There is one office girl and 12 supervisors (including plant superintendent), who regularly and completely work for Montrose. This salary payroll is accumulated by San Francisco accounting and billed to Montrose monthly. In addition, there are several Stauffer salary employees who devote part of their time to Montrose; these charges are described under the section on indirect charges.

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SECTION III

Henderson Plant (Cont'd)

d. Salary Payroll Taxes and Benefits

Actual payroll taxes and benefits are accumulated by San Francisco Accounting for the 13 Montrose salary employees and billed to Montrose on an actual basis. Payroll taxes and benefits for Stauffer salary employees who devote part of their time to Montrose are billed to Montrose on the basis of 14% of their salaries as described under the section on indirect charges.

4. Power

Cost based on actual usage per separate meter readings. Price of actual cost of power delivered to Montrose which includes Colorado River Commission billing, plus B. M. I. distribution charges, plus proportionate share of line losses, plus proportionate share of cost of energizing and maintaining substations serving Montrose.

5. Rental Land

\$60 per month as per lease dated October 1, 1955. This lease covers eight parcels of land totaling 10.1344 acres as described in the agreement and the subsequent amendments dated April 23, 1956 and December 22, 1960.

A.	1.1750 Acres
B.	8.0200
C.	0.5323
D.	0.0280
E.	0.0702
F.	0.0530
G.	0.0179
H.	0.2180

Total 10.1344 acres

The present termination date of this lease is 1/14/67, but this may be extended to 1/14/77 by the use of the two remaining renewal options. A modification of the original lease which became effective January 15, 1964 provides for two additional options each to extend the term for 5 years commencing January 15, in the years 1977 and 1982. Each option is to be exercised one year prior to the expiration date of the current period. Taxes on the above property are for the account of Montrose.

6. Steam

Plant engineers' reading. Billed at estimated monthly cost adjusted to actual in the month following.

7. Telex/TELE

This will consist only of messages sent by Stauffer personnel on behalf of Montrose.

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SECTION III

Henderson Plant (Cont'd)

8. Telephone

This will consist of toll charges incurred by Stauffer personnel on behalf of Montrose until approximately September 15, 1964. It is presently contemplated to institute at that time the following method: Montrose will discontinue use of their switchboard and Stauffer will consolidate Montrose's 2 trunk lines and 15 stations into our switchboard by increasing our existing equipment. It is anticipated that the Henderson Telephone Company will bill Montrose directly for 2 trunk lines and the number of instruments in use. Montrose will be expected to pay a pro-rata share of the expense of expanding our facilities based on the ratio number of their instruments to the total number of phones on our board. Montrose will also be expected to bear a proportionate share of our operator's salary monthly based on the relative number of their phones to the total which is estimated to be 15 out of a total of 65 or approximately 23%. Other one-time installation charges to be divided between Montrose and Stauffer on this basis. Any recurring charges which can be separated between Montrose and Stauffer will be billed monthly either directly by the Telephone Company or by Stauffer. Toll charges made for long distance telephone calls made by Montrose probably will be included in the billing to Stauffer and will have to be re-billed to Montrose.

9. Telex

Montrose will be billed only for messages sent or received by Montrose personnel or by Stauffer personnel on behalf of Montrose.

10. Water

Charged by meter reading at S. M. I. price.

11. Engineering Salaries

Based on hours spent on actual projects. (Construction in Progress - Appropriations)

12. Fixe Protection

The Montrose protected area has been computed as follows:

Areas are charged for on basis of standard agreed upon by member firms of the S. M. I. complex.

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SECTION III

Henderson Plant (Cont'd)

	Sq. Ft.
1. Main Process Section	36,990
2. Synthetic Acid System	97
3. Office	477
4. Benzene Storage	8,425
5. Alcohol Storage	2,970
6. Polychlors Storage	4,500
7. Acid Storage	231
8. M.C.B. Storage at Hercules	8,294
9. Change House	384
10. Shop	1,040
11. Warehouse	737
12. Compressor Bldg.	392
13. Exterior Storage	698
14. Trestle and Loading	-
15. Toxaphene Warehouse at Hercules	<u>2,100</u>
Total	<u>67,335 Sq. Ft.</u>

Stauffer receives billings from B. M. I. at the current rate of \$5.50 per thousand square feet. This rate may vary from month to month depending upon the charges as billed by B.M.I. Periodic surveys will be made to determine area involved.

The protected area is defined as "land occupied by tanks or structure" and does not include vacant land.

13. Sewage Disposal

Currently billed to Stauffer by B. M. I., based on number of employees on the project. Stauffer will rebill Montrose for its share based on the actual number of Montrose employees.

14. Chlorine and Caustic

Chlorine gas and 50% caustic will be billed at prices negotiated by the Stauffer Sales Department and Montrose. Dilute caustic is billed at \$35 a ton and call liquor is to be charged at \$44 per ton (100% NaOH Basis).

15. Charges for Borrowed Craftsmen

A supervisory charge plus tool and general shop charge totaling 75c per hour shall apply to all borrowed craftsmen. The total number of Stauffer manhours used by Montrose shall have the Montrose manhours used by Stauffer deducted, and the net Stauffer manhours used by Montrose will be billed at the 75c per hour surcharge. The Accounting Department should show the deduction of manhours loaned by Montrose on their billing.

Supervision (See detail Schedule 1, p. 16)	\$.44	.49	59
Personal tool depreciation (See detail Exhibit B, pp. 21 and 22)	.10	.10	10
General Shop (See detail Exhibit C, p. 23)	<u>.21</u>	<u>.21</u>	<u>21</u>
Total Overhead charge per maintenance manhours	<u>\$.75</u>	<u>.75</u>	<u>75</u>

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SECTION III

Henderson Plant (Cont'd)16. Water and Sewer Lines

Cost of repairs to joint facilities of water supply and sewage disposal to be billed upon basis of ratio of use of the particular facility as agreed by the Stauffer Works Manager and the Montrose Superintendent.

17. Use of Equipment

Stauffer-owned major equipment used by Montrose will be billed on an hourly charge based on the depreciation, maintenance and operating fuel costs to Stauffer. The major items of equipment and the hourly charges are shown in Exhibit A, page 20. Five pieces of older equipment do not carry a depreciation factor.

18. Supervisors' Training Dinners

To be billed by Stauffer for actual cost of meals of Montrose supervisors in attendance at monthly supervisors' dinner meeting for both Stauffer and Montrose salaried supervisors.

- B. The following is a summary of Indirect Charges as recommended for the future and previously established. For detail analysis of these indirect charges, please refer to supporting Schedule 1 at the close of this report.

	Charges Proposed	Previous Charges Effective 9/1/61
1. Salaried Payroll	\$ 897	\$ 727
2. Donations	76	116
3. Garbage and Refuse Removal	59	62
4. Janitorial Service	233	233
5. General Works Expense	134.46*	773
6. Office and Laboratory Facilities	144	144
7. Warehouse Expense	93	93
	<u>2769</u>	<u>82,172</u>
		<u>82,152</u>

*Does not include cost of general shop expense to be billed as a direct charge at \$0.21 per maintenance man-hour. See Item 15 under Direct Charges.

It should be emphasized that these recommendations for both direct and indirect charges have been discussed with, and have the approval of, Henderson plant administration.

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SECTION IV

Torrance Plant

A. DIRECT CHARGES

1. Rental

Stauffer now leases 10.00 acres of land to Montrose under terms of lease dated October 1, 1955 and a modification dated January 15, 1964. The original lease ran to January 15, 1957, with four 5-year option terms commencing January 15, 1957, 1962, 1967, and 1972. The first two 5-year options have been exercised. The subsequent modification dated January 15, 1964 provides for two additional options each to extend the term 5 years commencing January 15, in the years 1977 and 1982. On the premises are certain structures consisting of a processing plant, warehouses, machine shop, pipe lines, outside equipment, and office building. The invoice for monthly rental of \$750 is prepared by the Los Angeles office.

2. Property Taxes

Per the lease effected October 1, 1955, property taxes are for the account of the lessee, Montrose. Taxes on improvements and personal property are billed directly to Montrose. Taxes on land under the modification of January 15, 1964 which increased the acreage leased from 8.74 to 10.00 are to be distributed as follows:

17.73 acres total land
10.00 acres leased to Montrose, or 56.4% of total

Taxes on land for the year 1963-1964 amounted to \$6,048.21 of which 49.3% or \$2,981.77, was billed to Montrose. This amount was based on 8.74 acres leased to Montrose. The billing is prepared by the San Francisco office.

3. Utilities

Water, both purchased and well water, used by Montrose from the Stauffer facilities, is metered and the monthly billing prepared by the San Francisco office. Montrose is also billed a flat \$100 per month for electricity for the 25 HP electric motor operating the cooling tower pump and for power and lights in the machine shop.

4. Payroll Charges

The Stauffer plant at Torrance has been closed but a EMC inventory still remains on the premises. Should Montrose provide any loading labor in connection with EMC, Montrose will charge Stauffer actual labor expense plus an 85% overhead factor.

B. INDIRECT CHARGES

The use of spur track, roadways, parking lot, etc. by Montrose is included in the lease agreement and rental charge. The cost of maintenance of what constituted common facilities prior to the closing of Stauffer's plant is to be shared by both companies and worked out between the managements.

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SECTION V
Newark Office

A. DIRECT CHARGES

1. Telephone and Telegraph

Toll calls for telephone and telegraph are charged directly to Montrose-California.

2. Laboratory Salaries and Expenses

Laboratory salaries and expenses for special projects are charged directly to Montrose-California.

B. INDIRECT CHARGES

On the basis of monthly average expenses for the six months period ended June 30, 1964, the new monthly charges for the allocation of Newark office and overhead charges to Montrose-California are:

<u>Item</u>	<u>Monthly Average Expenses</u>	<u>Percentage Allocable to Montrose-California</u>	<u>Montrose-California Share of Expenses</u>	<u>Prev. Alloc. in Effect Since Sept. 1, 1963</u>
Office Salaries	\$ 2,490 1,052	38% 75%	\$ 946 789	\$ 860 716
Telephone & Telegraph	655	10%	66	58
Postage & Miscellaneous				
Supplies	315	5%	16	21
Laboratory Salaries	8,293	2.5%	207	198
Laboratory Expenses	1,203	2.5%	30	29
Payroll Taxes & Benefits (10% of allocated Salaries)			194	177
Total			<u>\$ 2,246</u>	<u>\$ 2,059</u>

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SECTION VI

Los Angeles OfficeA. DIRECT CHARGESPlant Payroll

The hourly rate payroll at Montrose-Torrance is prepared jointly by the Montrose-Torrance plant and the Stauffer-Los Angeles office. Charges for labor and employee benefits are cleared out monthly to Montrose. The employees receive Montrose payroll checks, but are covered by the various employee benefit plans of Stauffer.

B. INDIRECT CHARGES

The indirect or prorated charges have again been reviewed as they relate to each department and are summarized below:

	Recommended AUGUST 1, 1964	Effective Since 9/1/63
1. Payroll - General Office and Accounting	\$ 906	\$1,145
2. Payroll Taxes and Benefits	127	115
3. Office Rent	222	220
4. Miscellaneous	<u>50</u>	<u>50</u>
Total	<u>\$1,305</u>	<u>\$1,332</u>

The above recommended charges have been discussed with the Stauffer department heads involved and have their approval. Detailed analysis of the individual charges is set forth in Schedule 2 on page 25.

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SCHEDULE VII

San Francisco OfficeA. DIRECT CHARGES1. Traffic Department

Traffic Department charges are billed monthly on the basis of actual time spent for Montrose plus an 85% overhead factor for secretarial service, office rent, telephone, stationery supplies, etc.

A monthly charge for tank car rental for cars in service of Montrose is also made.

2. Payroll Charges

Montrose-Torrance and Henderson salary payroll plus actual payroll taxes and benefits are billed monthly by the Payroll Section and charged directly to Montrose. Montrose-Henderson wage roll plus percentage overhead is billed to Montrose by the San Francisco accounting department.

3. Accounting Department

All direct expenses paid for the account of Montrose by Stauffer are accumulated from the voucher register by the Accounting Department and rebilled to Montrose. These items are incurred at either the San Francisco or the Los Angeles areas and include such items as telephone, gardening, water, savings bonds, etc.

B. INDIRECT CHARGES1. Employee Relations Department

Labor Relations, Safety Procedures, Employee Welfare and Improvement Programs:

Total employees, Western Division, June 30, 1964 -
(Includes hourly employees Western Phosphate and Americer Urethane plants serviced to date) 2,623

Total Montrose Employees (Torrance 119, Henderson 82
Los Angeles 3) 204

Montrose employees equal 7.8% of total -

Proposed monthly charge to Montrose Chemical Corporation of California is based upon average monthly charges to Employee Relations Department budget for the fiscal period January 1, 1964 to June 30, 1964 as follows.

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SECTION VII

San Francisco Office (Cont'd)

Salaries (Duker, Moger, Martin, McManus and Secretaries)	$\$4,690 \times .078 = \366
Payroll Taxes & Benefits (14% of salaries)	583 x .078 = 45
Travel Expenses	1,426 x .078 = 114
Service Publications (BNA, AMA, Etc.)	110 x .078 = 9
Office Overhead (Rent \$475; Telephone & Teletype \$348; Supplies \$28; Depreciation \$39)	$890 \times .078 = \underline{\underline{69}}$
	<u>\$603</u>

Charge to Montrose - \$603.002. Accounting Departmenta. Payroll Section

Total employees (hourly and salary) paid from San Francisco 7/1/64	2,218
Montrose* employees paid from San Francisco 7/1/64	110

Ratio = 5.01

Average monthly budget charge for Payroll Section is \$3,670

Charge 5.01 to Montrose, or	\$ 174
Payroll Taxes and Benefits at 14%	\$ 26
Office rental and overhead	<u><u>\$ 27</u></u>
	<u><u>\$ 225</u></u>

*Torrence Salaried - 28
Henderson Salaried - 13
Henderson Hourly - .69
110

b. Tabulating Section

	Hourly	Salary	Total
Total Montrose Employees paid by San Francisco Tabulating Section	<u><u>69</u></u>	<u><u>41</u></u>	<u><u>110</u></u>
**Cost per man per month	.8475	.3883	
Cost per month of processing Montrose payroll	\$38	\$16	\$74

**Refer to Schedule 3, page 26

SECTION VII

San Francisco Office (Cont'd)

Following is a summary of the recommended indirect charges as compared to the previous year:

	<u>Recommended</u>	<u>Effective Since 9/1/63</u>
Employee Relations Department	\$603	\$505
Accounting Department		
Payroll Section	225	224
Tabulating Section	76	162
	<u>\$902</u>	<u>\$891</u>

The above recommended charges have been discussed with the Stauffer department heads involved and have their approval.

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SCHEDULE 1

Recommended Allocation Plan
Charges from Henderson Plant by Stauffer Chemical Company to Montrose

1. SALARIED PAYROLLAdministrative

Orr	5%
Schreck	2%
Stewart	2%

Personnel

Schreck	20% 10%
---------	---------

Traffic

Gross	5%
-------	----

Charges for Supervisory and General Personnel - \$335 per Mo.

Timekeeping & Payroll

Cole	26%
------	-----

25% 25% chemical delivery to owned
shops kept 1/100th

Stone-Mail-Telavue-Disk Processing-Multilith

McCaw	2%
-------	----

Personnel

Douglas Graham	15%
-------------------	-----

25%

Production Records

Bonches	6% 6%
---------	-------

First Aid

Bridgewater	2%
-------------	----

Charges for Office and Clerical Personnel - \$452 767
 \$787 ~~667~~
 15% ~~15%~~

16% for Payroll Taxes, various insurance
 costs, etc.

\$110
<u>\$897</u>

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12 new designs

67,683
2,903
2,533SCHEDULE 11. SALARIED PAYROLL (Cont'd)Maintenance Salaried Supervision

Total annual salary of Bleak, ~~Hawker~~, Lawrence, Gantner, and Perrin, and ~~and~~ ~~plus~~ ~~plus~~
~~cost of labor's annual salary plus payroll taxes is \$62,683.~~
~~300 hours~~ ~~67,683~~

There are ~~no~~ wage earners in the Maintenance Department who are not assigned specifically to the Montrose or Chlorine and Caustic areas. The number of hours worked in a year by these men would be $68 \times 1,080$, or 141,440 manhours.

The total annual supervisory salaries (\$62,683) divided by the total manhours (141,440) is the cost of supervision per manhour (\$0.44).

The basis for the monthly Maintenance supervision billing to Montrose will be the total maintenance manhours worked for Montrose exclusive of Montrose's own maintenance personnel, multiplied by \$0.44.

2. DONATIONS AND EMPLOYEE ACTIVITY (1963)

Boy's State	\$ 55
Henderson Chamber of Commerce Annual Membership	200
Lee Vegas Chamber of Commerce Annual Membership	75
University of Nevada Artemis Yearbook	65
Nevada-Southern Univ. Rebel Yearbook	65
University of Nevada Math Contest	30
Basic High School Yearbook - El Lobo	45
Basic High School Newspaper - Lobo News	20
Golden Gloves (American Legion)	25
Constable's Association	50
Nevada Peace Officer's Association	70
Clark County Fireman's Association	50
Henderson Fireman's Benefit Fund	11
Henderson Industrial Days Booth and Ad	100
Outfitting Miss Industrial Days	60
Public Service Advertising	150
Federated Employers of Nevada	100
City of Henderson Little League Baseball	75
Shriner's Circus	50
Stauffer Men's Bowling League	150
Rose de Lime Auxiliary	25
Nevada Taxpayers Association	250
Christmas Turkeys	455
National Society for Prevention of Blindness	50
United Fund of Clark County	1,000
Stauffer Niagara vs. Henderson Bowling Tourney	65
Total	\$3,851 3.063

Average one month - \$271 (ratio of Montrose employees to total)

$$\begin{array}{r} \$271 \times 28\% = 76 \\ 76 > 66 \\ \hline 16 \end{array}$$

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SCHEDULE 13. REMOVAL OF REFUSE, GARBAGE AND WASTE

6 months, 1963 cost = \$1,156

Average cost per month = \$193

(Basis - Dollar value ratio payrolls)

$$\begin{array}{r} \$193 \times 312 = \$60 \\ \hline 2876 \end{array}$$

4. JANITORIAL SERVICE

Average of 3 hrs. per day for 7 days per week:

$$\$1,518 \div 6 =$$

$$(2.46 \times 21 \text{ hrs.} = \$1.66 \times 26 = \$1,343 + 13\% = \$1,518)$$

*eliminate
all Hgroun project*

$$\begin{array}{r} 5253 : 6 \\ \hline 875 \end{array}$$
5. GENERAL WORKSa. Watchmen: Distribution based on Fire ProtectionLabor = \$12,351 \div 6 Mos. = \$2,059 per month
$$\begin{array}{r} \$2,059 \div 266,596 \text{ sq. ft. (Total protected area)} \\ \text{equals } \$7.72 \text{ per sq. ft.} \end{array}$$

Montrose total area = 67,335 sq. ft. \times \$7.72 per
sq. ft. = 520

b. Road & Yard Expenses: (Distribution based on number of employees ratio)

$$\begin{array}{r} \text{Labor} \quad 1792 \quad \$2,173 \\ \text{Material} \quad 3,125 \quad 161 \\ \hline 4,917 \quad \$2,334 \div 6 = \$389 \times 261 \quad \begin{array}{l} \text{charged} \\ 4709 \div 2,3 \\ 26\% \end{array} \end{array}$$

Major expenses exceeding \$500 will be apportioned between Stauffer and Montrose as agreed upon by Stauffer Works Manager and Montrose Superintendent.

c. Union Time: (Distribution based on number of employees ratio less direct charge to Montrose)

100%	Total union time spent Jan.-June 1964	\$223	1970
46%	Montrose share based on 46% employees	63	128
54%	Montrose union time (direct charge)	- 46	132
15%	Distributed Plant Union Time	\$ 17	35

Montrose charge for union time 347 / 53

TOTAL	<u><u>\$646</u></u>
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6. OFFICE & LABORATORY FACILITIES

Maintenance Labor	\$ 930 0654
Janitor Labor	<u>4,350</u> 0313
Maintenance Material	\$ 992 6961
Janitor Supplies	<u>612</u> 0112 <u>1,604</u> 7573
	<u>\$ 6,884</u> 6560

Apply percentage of Montrose occupied space to
 total occupied space 1,215 = 62
19384

$$62 \times 6,884 = 413 \div 6 = 369 \text{ per mo. } .161$$

$$369 \div 1,215 = \$0.06 \text{ per sq. ft. } .13$$

Utilities

Water 2,777,000 gal.	\$ 116
Power 281,000 kWh @ .004	<u>1,127</u> 044
Steam 997.4 tons @ 1.00 ton	<u>1,496</u> 001
435.3 1.33	<u>325</u>

Other Costs

Depreciation (25-year basis) \$11,929 per yr. - 6 mos. 5,965

Fire Protection

36,679 sq. ft. @ \$5.50 = \$202 x 6 mos. 1,212

Insurance (Plt. Avg. \$3,793 per mo. + 263,055 sq. ft. =

\$16.42 per mo. per 1M sq. ft.)

\$16.42 x 36,679 = \$529 x 6 = 3,174

Taxes-appraised value of Bldg. \$169,530 x 37½% =

\$63,575 assessed Value

\$63,575 x 3.493 = \$2,221 per year ; 2 =

Expense of Utilities & Other Costs for 6 mos. \$14,200

Cost per Month \$ 2,367

Cost per Sq. Ft. - Maintenance and Janitor Labor & Material

\$ 0.06

Cost per Sq. Ft. Utilities & Other Costs -

\$2,367 ; 36,679 (total sq. ft. occupied and unoccupied)

\$ 0.06

Cost per Square Foot \$ 0.12

SCHEDULE I

Montrose Charge

H. Wurzer's office	426 sq. ft.
Montrose Laboratory	629 sq. ft.
Chemical Storage Room	<u>160</u> sq. ft.
Charge to Montrose	1,215 sq. ft. @ 12c =

\$146

7. WAREHOUSE EXPENSE

Power	\$ 300
Water 1250 1,250	240
Steam (826.3 tons x \$.15 .10/ton)	1,239
Depreciation (35-year basis) \$2.055	
6 months less 36% - Shop	1,315
Taxes:	
Appraised Value of \$63,950 x 37½ = \$23,980	
Assessed Value x 51.493 rate =	
\$838 less 36% Shop = \$36 + 2 =	268
Fire Protection:	
13,390 sq. ft. x .50 = \$75 x 6 =	450
Insurance:	
13,390 sq. ft. x 14.43 per mo. + \$196 x 6 =	<u>1,176</u>
Total 6 Mos. Expense	<u>\$4,988</u>
\$4,988 + 6 = \$831 per month	
\$831 per month + 13,390 sq. ft. = \$0.06/sq. ft.	
Montrose area 1,576 sq. ft. @ .06/sq. ft. =	<u>\$ 95 14</u>

Maintenance Labor and Material have been deleted from the above computation. Montrose will be billed directly for major maintenance such as re-roofing or exterior painting on basis of their square foot ratio to total. They will maintain their own areas.

CC-1010 C-1-1-5

EXHIBIT A

MAJOR EQUIPMENT RENTAL TO MONTROSE

<u>ITEM</u>	<u>Equipment Cost</u>	<u>Life in Hours</u>	<u>Power or Fuel/Hour</u>	<u>Power Cost/Hr.</u>	<u>Depre. Cost</u>	<u>Maint. Cost/Hr.</u>	<u>Total Cost/Hr.</u>
1. Portable Water Pump	\$1,200	4,160	1 GPM	\$0.36	\$ -	\$0.10	\$0.46
2. Acid Circulating Tank & Trailer	1,200	4,160	3 Hp.	0.02	0.29	0.05	0.36
3. Portable Air Compressor	5,000	10,400	5 GPM	1.00	0.48	0.10	2.38
4. Welders (300 Amp.)	1,000	10,400	20 Hp.	0.15	-	0.05	0.20
5. I-D Tractor	1,338	8,320	3 GPM	1.08	-	0.10	1.18
6. Ethyl Chloride Still-Bottoms Trailor	400	8,320	-	-	0.05	0.05	0.10
7. Ethyl Chloride Still Bottoms Tank	800	10,400	-	-	0.08	0.02	0.10
8. Dump Truck - 1 1/2 Ton	3,500	10,400	2 GPM	0.72	0.34	0.10	1.16
9. Dempster & Dempster	6,500	10,400	3 GPM	1.08	0.63	0.15	1.86
10. Towmotor Lift Truck	4,107	10,400	2 GPM	0.72	0.40	0.10	1.22
11. Lorraine Crane	6,000	10,400	6 GPM	2.16	-	0.15	2.31
12. Link Belt Crane	8,032	8,320	6 GPM	2.16	0.96	0.15	3.27
13. Crane Car	1,000	8,320	3 GPM	1.08	-	0.10	1.18
14. Power Back Saw	1,281	10,400	1 Hp.	0.01	0.12	0.05	0.18
15. Lathe	4,340	20,800	10 Hp.	0.08	0.21	0.05	0.34

CC-010 C 7 - 7

POOR QUALITY
ORIGINALEXHIBIT BBOILERMAKERS

2 Impact Tools - 1 @ \$159 and 1 @ \$125	\$ 284
Slings	80
1 Power Hand Grinder	30
1 Acetylene Welder	200
Hand Tools and Safety Equipment	<u>236</u>
	\$ 850

Use 5-year life for depreciation and maintenance - 10,400 Hrs.

Cost per hour per man = \$850 / 10,400 Hrs. = \$0.08/hr./manMACHINISTS

1 Acetylene Welder	\$ 200
1 Electric Drill (Hand)	40
1 Drill Press	75
1 Air Drill (Hand)	70
1 Shaper (\$230.00 A.C.)	250
1 Blower (Portable)	45
1 Power Hoist	250
1 Hand Hoist	47
1 Bench Grinder	50
1 Portable Grinder	30
1 Micrometer Set	90
Hand Tools and Safety Equipment	<u>101</u>
	\$1,248

Use 5-year life for depreciation and maintenance - 10,400 Hrs..

Cost per hour per man = \$1,248 / 10,400 Hrs. = \$0.12/hr./manCARPENTERS

2 15" Crescent Wrenches	\$ 6
2 10" Crescent Wrenches	5
1 Skill Saw	82
1 Sander	105
2 Boxes and set of bits (2 x \$14.13) + \$30	58
2 Hand Saws (\$8.00 ea.)	16
6 Screw Drivers (\$1.60 ea.)	9
2 Levels (\$9.50 ea.)	19
1 Claw Hammer	4
1 Wood Chisel Set	25
Tapes - Metal	3
1 Hand Ax	3

CC-010-071-8

POOR QUALITY
ORIGINALEXHIBIT B (Cont'd)CARPENTRY (Cont'd)

1	Wrecking Bar	\$	3
2	Trowels		7
1	Framing Square		10
1	Combination Square		3
1	15" Smoothing Plane		12
1	Block Plane		5
1	Chalk Box & Line		2
1	Mitre Box and Saw		25
1	Keyhole Saw		1
	Rasp and files, Mail Punches		29
	Safety Equipment		80
		\$	514

Use 5-year life for depreciation and maintenance = 10,400 Hrs.

$$\text{Cost per hour per man} = \frac{\$514}{10,400/\text{Hr.}} = \$0.05/\text{Hr./man}$$

Estimated cost of maintenance and depreciation for large items at Carpenter Shop to be added to the above figure. Suggest Estimated Cost to be \$0.05/Hr./man.

Total Cost/Hr./man to be \$0.05 + \$0.05 = \$0.10/Hr./man.

SUMMARY

Exhibit B presents details covering the various pieces of personal hand tools and equipment supplied by Stauffer for various craftsmen. An agreed upon average of \$0.10 per man-hour will be used based on the above calculations. See paragraph 15 under "Direct Charge".

CC-010071-9

EXHIBIT CGENERAL SHOP CHARGESSix Months through June 30, 1964

<u>Description</u>	<u>Labor</u>	<u>Material</u>	<u>Total</u>
<u>Tool Room Attendant</u> - Material includes purchase of tools, gloves, welding rod, oxygen, acetylene, nitrogen, etc.	\$ 3,583	-	\$ 3,583
<u>Shop Janitor</u> - Clean-up - Grease and oil shop equipment, maintain washroom facilities, material purchases, including oil, rags, soap, cleaning reagents, etc.	2,558	\$ 412	2,970
<u>Maintenance General Shop Building</u> - Includes repair of coolers, water coolers, changing lights, painting building	4,362	2,338	6,700
<u>General Monthly Orders</u> - Small miscellaneous jobs - Steady - Small Tool maintenance -			
Inst. & Electricians	\$170		
Mechanists	57		
Pipefitters	38		
Painters & Carpenters	284		
Laborers	57		
Boilermakers	57	663	1,049
Maintenance:			
Motor Repair	113	66	179
<u>Maintenance Compressor Shop & Paint Shop</u>	227	132	359
<u>TOTAL</u>	<u>\$11,306</u>	<u>\$3,336</u>	<u>\$14,640</u>

This charge to be prorated to the number of eight hour hours worked and set up as an hourly charge:

$\$14,640 \div 70,720$ (80 hours x 1,040 hours) = \$0.21 per hour.

(See paragraph 13 under Direct Charges).

CC-010071700

EXHIBIT DCalculation for Burden ConsiderationA. LABOR VALUE RATIO

Total Montrose Labor (6 Months 1964) \$749,703
 Total Montrose and Stauffer (6 Months 1964) \$813,222

(31%)
 78% ratio

B. NUMBER OF EMPLOYEES RATIO

Montrose:

Salary	13 -
Operators	27 -
Laboratory Technicians	6 -
Maintenance (Assigned)	81
Maintenance (Loaned)	72

13	27
-	-
81	72

81 : 72 = 281 Number of Employees Ratio
 74 : 74 = 100%

Calculations on Montrose Borrowed Maintenance (6 Months) -

127 Maintenance Days x 8 = 1,016 hrs. = 1 Man

Stauffer Loaned Montrose = 2,713.2 hrs.

Montrose Loaned Stauffer = 4,111 hrs.

Net Montrose Loaned Hrs. 1,398.1 hrs.

1,398.1 : 1,016 = 1.38 or 1 Man

C. EMPLOYEE PAYROLL TAXES AND BENEFITS RATE FOR MONTROSE BORROWED EMPLOYEES (1963)

Straight Time Earnings	\$1,532,321
Premium Payments	97,816
Payments Unworked Time	114,860
Clothing Allowances	3,492
Gross Earnings	\$1,748,489
Payroll Taxes (Legally Required Benefits)	\$ 95,317
Insurance & Retirement Plans (Voluntary Benefits)	127,326 145,931
\$232,843 : \$1,748,489 = 13% 1/2	

D. EMPLOYEE PAYROLL TAXES AND BENEFITS RATE FOR STAUFFER BORROWED EMPLOYEES WORKING FOR MONTROSE (1963)

Straight Time Earnings	\$1,532,321
Premium Payment	97,816
Clothing Allowances	3,492
Payments Unworked Time	\$1,633,629
Payroll Taxes (Legally Required Benefits)	95,317
Insurance & Retirement Plans	127,326 145,931
\$347,703 : \$1,633,629 = 21% 1/2	

CC-010

071721

POOR QUALITY
ORIGINALSCHEDULE 2RECOMMENDED ALLOCATION PLANCharges from Los Angeles Office by Stauffer Chemical Co. to Montrose1. PAYROLL CHARGES FOR GENERAL OFFICE AND ACCOUNTING:

Typist - R. Schmidt	43.0%
Mail Clerk - D. J. Donovan	5.0%
Comptometer Operator - C. Green	30.0%
Payroll Checks, etc. - F. Tyce	5.0%
Supervision - W. A. Smith	30.0%
Sales - L. Leler	12.5%
- Secretary	12.5%
PBX Operator - G. Mines	10.0%

Total Payroll Charges	\$ 906
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2. PAYROLL TAXES AND BENEFITS - 14% of Payroll

127

3. OFFICE RENT:

Estimated area used in 300 South Virgil Avenue is
 533 sq. ft. x \$5.00/sq. ft. (per Pre forms Statement) =
 $\$2,665 \div 12 =$ 222

4. MISCELLANEOUS:

Estimated amount to cover depreciation on office machines,
 stationery, local telephone calls, etc. 50

Total Allocated Charges	<u>\$1,305</u>
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CC-010-C-R-NU

POOR QUALITY
ORIGINALSCHEDULE 1Computation of Processing Payroll on IBMJuly 1, 1964

<u>Man Hour Cost to Process Payrolls for one Year</u>	<u>Hourly</u>	<u>Salary</u>
Data Processing Section	\$2,630	\$1,041
Key Punch Section	<u>2,673</u>	<u>192</u>
Total Cost	<u>\$5,303</u>	<u>\$1,233</u>
Add Payroll Taxes, Benefits at 14%	742	173
Office Overhead @ 27.9% *	1,480	344
Machine Costs for the Year	3,947	1,682
Supply Costs for the Year	<u>1,630</u>	<u>899</u>
Total Costs to Process Payrolls for the Year	\$13,102	\$4,331
Average Number of People on Payroll	1,288	930
Cost to Process One Man on Payroll for Month	<u>\$0.8475</u>	<u>\$0.3883</u>

Office Overhead - Computation

*Annual Rental	\$13,676
" Misc.	<u>1,800</u>
Total	<u>\$17,676</u>

: \$63,300 annual salaries • 27.9%